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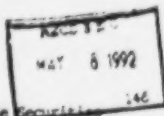
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q



92 14 1527



(Mark one):

☒ Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarter ended March 31, 1992
or

☐ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File number 0-18674

PROCESSED BY

MAY 13 1992

MARCH CORPORATION

(Exact name of registrant as specified in its charts Q-Data Corp. - St. Petersburg, FL)

Massachusetts
(State or other
jurisdiction of
incorporation or
organization)

04-2711580
(I.R.S. Employer Identification No.)

95 Wells Avenue, Newton, Massachusetts 02159
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (617) 965-0220

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

The number of shares outstanding of the registrant's Common Stock, \$.01 Par Value, as of April 30, 1992 was 8,264,560 shares.

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PART I: FINANCIAL INFORMATION

ITEM 1: Financial Statements

PARCAN CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(In Thousands)

ASSETS	March 31, 1992 (Unaudited)	September 30, 1991
Current assets:		
Cash and equivalents	\$ 6,607	\$ 3,226
Short-term investments	2,033	5,127
Accounts receivable	19,343	16,748
Prepaid expenses and other current assets	1,990	877
Due from affiliates	<u>4,487</u>	<u>3,839</u>
Total current assets	<u>34,460</u>	<u>29,817</u>
Property and equipment:		
Furniture and fixtures	1,850	1,904
Computer equipment	5,157	4,235
Leasehold improvements	<u>642</u>	<u>448</u>
	7,649	6,587
Less accumulated depreciation and amortization	<u>3,566</u>	<u>3,108</u>
Net property and equipment	<u>4,083</u>	<u>3,479</u>
Other assets:		
Software production costs, net	7,156	5,037
Receivable from related party	25	50
Purchased software, net	1,299	1,084
Other assets	<u>410</u>	<u>387</u>
Total other assets	<u>8,890</u>	<u>6,558</u>
Total assets	<u>\$47,433</u>	<u>\$39,854</u>

See accompanying Notes to Consolidated Financial Statements

MARCAM CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(In Thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 1992 (Unaudited)	September 30, 1991
Current liabilities:		
Accounts payable	\$ 2,139	\$ 2,307
Accrued expenses and other current liabilities	12,360	8,618
Current maturities of capital lease obligations	242	151
Current portion of long-term debt	70	103
Current deferred income taxes	<u>446</u>	<u>309</u>
Total current liabilities	15,257	11,488
Capital lease obligations, less current portion	355	247
Long-term debt, less current portion	-	20
Deferred income taxes	<u>1,092</u>	<u>867</u>
Total liabilities	<u>16,614</u>	<u>12,622</u>
Stockholders' equity:		
Preferred stock, \$1.00 per value; authorized 1,000 shares, none issued	-	-
Common stock, \$.01 per value; authorized 15,000 shares; issued 8,265 shares at March 31, 1992 and 8,199 shares at September 30, 1991	83	82
Additional paid-in capital	20,751	20,174
Retained earnings	10,120	6,940
Receivable from sale of stock	(58)	(58)
Cumulative translation adjustment	<u>(77)</u>	<u>94</u>
Total stockholders' equity	<u>30,819</u>	<u>27,232</u>
Total liabilities and stockholders' equity	<u>\$47,433</u>	<u>\$39,854</u>

MARCAM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

(In Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	1992	1991	1992	1991
Revenues:				
Licenses	\$10,243	\$ 7,329	\$20,675	\$15,955
Services	7,583	5,270	13,710	8,968
Hardware	-	341	-	1,392
Total revenues	<u>17,826</u>	<u>12,940</u>	<u>34,385</u>	<u>26,315</u>
Operating expenses:				
Cost of revenues	2,737	2,402	5,201	5,234
Selling and marketing	8,385	6,438	16,933	12,873
Research and product development	3,123	1,975	5,903	3,841
General and administrative	<u>831</u>	<u>1,218</u>	<u>1,606</u>	<u>1,986</u>
Total operating expenses	<u>15,076</u>	<u>12,033</u>	<u>29,643</u>	<u>23,934</u>
Operating income	2,750	907	4,742	2,381
Interest income	<u>88</u>	<u>173</u>	<u>225</u>	<u>394</u>
Income before income taxes	2,838	1,080	4,967	2,775
Income tax expense	<u>1,075</u>	<u>303</u>	<u>1,788</u>	<u>757</u>
Net income	<u>\$ 1,763</u>	<u>\$ 777</u>	<u>\$ 3,179</u>	<u>\$ 2,018</u>
Weighted average number of shares outstanding	<u>8,476</u>	<u>8,379</u>	<u>8,415</u>	<u>8,363</u>
Net income per share	<u>\$ 0.21</u>	<u>\$ 0.09</u>	<u>\$ 0.38</u>	<u>\$ 0.24</u>

See accompanying Notes to Consolidated Financial Statements

MARCAM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In Thousands)
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
Cash flows from operating activities:				
Net income	\$1,763	\$ 777	\$3,179	\$2,018
Adjustments to reconcile net income to net cash and equivalents provided by operating activities:				
Depreciation and amortization	477	482	1,066	962
Deferred income taxes	278	(306)	278	(306)
Changes in assets and liabilities:				
Accounts receivable	(509)	1,544	(1,769)	(2,096)
Prepaid expenses, due from affiliates and other current assets	(703)	(1,077)	(2,680)	(1,670)
Accounts payable	(583)	(297)	(168)	(410)
Accrued expenses and other current liabilities	4,242	1,110	3,738	3,616
Net cash and equivalents provided by operating activities	4,965	2,233	3,644	2,114
Cash flows from investing activities:				
Purchases of property and equipment	(227)	(313)	(1,062)	(1,113)
Software production costs	(1,230)	(597)	(2,525)	(1,291)
Purchased software	(257)	(250)	(417)	(250)
Short-term investments	1,043	1,018	3,094	1,018
Other assets	(25)	(27)	(22)	(65)
Net cash and equivalents used for investing activities	(696)	(169)	(932)	(1,701)
Cash flows from financing activities:				
Principal payments on debt and capital lease obligations	(776)	(877)	(1,909)	(895)
Proceeds from debt	715	-	1,815	692
Additional capital lease obligations	-	-	240	-
Proceeds from sale of common stock	434	179	579	179
Other	6	26	19	82
Net cash and equivalents provided by (used for) financing activities	379	(672)	744	58

	Three Months Ended March 31,		Six Months Ended March 31,	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
Effect of exchange rate changes on cash and equivalents	<u>(186)</u>	<u>(532)</u>	<u>(75)</u>	<u>(449)</u>
Net increase in cash and equivalents	4,462	860	3,381	22
Cash and equivalents, beginning of the period	<u>2,145</u>	<u>10,122</u>	<u>3,226</u>	<u>10,960</u>
Cash and equivalents, end of the period	<u>\$6,607</u>	<u>\$10,982</u>	<u>\$6,607</u>	<u>\$10,982</u>
Supplemental information:				
Cash paid during the period, interest	\$ 32	\$ 6	\$ 36	\$ 17
Cash paid during the period, income taxes	364	237	1,421	1,541

See accompanying Notes to Consolidated Financial Statements

MARCAM CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

(1) Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of the Company, these consolidated financial statements contain all adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the consolidated financial position of Marcam Corporation and subsidiaries as of March 31, 1992 and the results of operations and cash flows for the three months and six months ended March 31, 1992 and 1991.

The results of operations for the three months and six months ended March 31, 1992 and 1991 are not necessarily indicative of the results to be expected for the full year.

(2) ShowWare Acquisition

On April 9, 1991, the Company completed its merger with ShowWare Incorporated (ShowWare), a supplier of maintenance and materials management applications software. The Company's financial statements have been restated to give effect to the merger of ShowWare and the Company, which has been accounted for as a pooling of interests.

PART I.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's revenues are derived from licensing its PRISM products and providing product support and related services. Product support is provided pursuant to agreements which are generally renewed annually. Related services consist of (i) assisting customer implementation of PRISM software, (ii) providing programming and system integration services for PRISM users which usually involve interfacing PRISM modules to the customer's other applications or the creation of new applications, and (iii) providing educational materials and instruction in the use of PRISM software.

Results of Operations

Total revenues increased \$4,886,000 (37.8%) and \$8,070,000 (30.7%) for the three- and six-month periods ended March 31, 1992, respectively, as compared to the same periods last year. The license fee revenue increased 39.8% and 29.6% for the three- and six-month periods ended March 31, 1992, respectively, primarily due to an expanded product line and increased volume to new and existing customers for additional sites and modules. Service revenue increased 43.9% and 52.9% for the three- and six-month periods ended March 31, 1992, respectively, primarily due to the growth in PRISM installations and the resulting increase in consulting and support services. The Company believes that service revenue will continue to grow generally in proportion with license fee revenue growth.

Hardware sales were discontinued in the fourth quarter of 1991 because of low margins.

Cost of revenues includes amortization of capitalized software and costs of implementation consulting, product support services, and hardware sold. These expenses represented 15.4% and 15.1% of total revenue for the three- and six-month periods ended March 31, 1992, respectively, as compared to 18.6% and 19.9% for the same periods in 1991. The decrease in cost of revenues as a percentage of total revenues in the second quarter and first six months of 1992 from the corresponding periods in 1991 is primarily due to the absence of hardware sales in 1992.

Selling and marketing expenses increased by \$1,947,000 (30.2%) and \$4,060,000 (31.5%) for the three- and six-month periods ended March 31, 1992, respectively, as compared to the same periods in 1991. These increases primarily represent the continued expansion of the Company's worldwide sales organization which included the addition of new employees and royalties payable on new products.

Research and product development expenses increased \$1,148,000 (58.1%) and \$2,062,000 (53.7%) for the three- and six-month periods ended March 31, 1992, respectively, when compared to the same periods in 1991. The increases were primarily the result of the addition of staff to develop new PRISM modules and enhancements.

General and administrative expenses for the three- and six-month periods ended March 31, 1992 decreased by approximately \$380,000 when compared to the corresponding periods in 1991. The decrease in general and administrative expenses is primarily due to the restructuring of administrative functions and the discontinuance of a profit sharing plan after the acquisition of Shaw-Ware.

The decrease in net interest income for the three- and six-month periods ended March 31, 1992 as compared to the same periods in 1991 was primarily due to lower cash balances being invested as well as lower interest rates on these balances.

The increase in income tax expense of \$772,000 for the three-month period ended March 31, 1992 from the corresponding quarter in 1991 reflects an increase in the effective tax rate to 37.9% from 28.1%. The effective year-to-date tax rate rose to 36.0% from 27.3% when compared to the same period last year. The increase in the effective tax rate was due to higher income before taxes in the current periods as well as the utilization of both net operating loss carryforward allowances and federal tax credit carryforwards in 1991. No carryforwards were available for 1992.

Liquidity and Capital Resources

As of March 31, 1992, the Company had no material commitments for capital expenditures, had debt of \$70,000 and obligations under capital leases of approximately \$597,000.

The Company ended the second quarter of 1992 with \$19,203,000 in working capital, which included \$8,640,000 in cash and equivalents and short-term investments. As of March 31, 1992, the Company also had available a \$2,000,000 unsecured line of credit which enables the Company to borrow at an interest rate at the higher of the bank's base rate plus 0.5% or the federal funds' rate plus 1%. As of March 31, 1992, the Company had no outstanding borrowings under the line of credit.

The Company anticipates that its available cash and future cash flow from operations will be sufficient to satisfy its short-term and long-term cash requirements.

Other Matters

To date, management believes inflation has not had a material impact on the Company's operations.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11 Statement re Computation of Per Share Earnings

(b) Reports on Form 8-K

No reports on Form 8-K were filed with the Securities and Exchange Commission during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

5-17-72
Date

MARCONI CORPORATION



David C. Cairns,
Chief Financial Officer
(Principal financial and
accounting officer)

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>	<u>Page Number</u>
11	Statement re Computation of Per Share Earnings	13

MARCAM CORPORATION

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

(In Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	1992	1991	1992	1991
NET INCOME	<u>\$1,763</u>	<u>\$ 777</u>	<u>\$3,179</u>	<u>\$2,018</u>
PRIMARY EARNINGS PER SHARE				
Weighted average common shares outstanding (1)	8,240	8,150	8,220	8,140
Dilutive stock options	<u>236</u>	<u>229</u>	<u>195</u>	<u>223</u>
	<u>8,476</u>	<u>8,379</u>	<u>8,415</u>	<u>8,363</u>
Net income per share	<u>\$ 0.21</u>	<u>\$ 0.09</u>	<u>\$ 0.38</u>	<u>\$ 0.24</u>
FULLY DILUTED EARNINGS PER SHARE				
Weighted average common shares outstanding (1)	8,240	8,150	8,220	8,140
Dilutive stock options	<u>236</u>	<u>229</u>	<u>205</u>	<u>223</u>
	<u>8,476</u>	<u>8,379</u>	<u>8,425</u>	<u>8,363</u>
Net income per share	<u>\$ 0.21</u>	<u>\$ 0.09</u>	<u>\$ 0.38</u>	<u>\$ 0.24</u>

The calculation of income per share is based on the weighted average shares outstanding in the three months and six months ended March 31, 1992 and 1991. Dilutive stock options assumed converted are based on the treasury stock method using average market price in calculating primary earnings per share, and the higher of the end of the period or average market price in computing fully diluted earnings per share.

(1) Pursuant to a Voting Rights Agreement dated April 9, 1991, the Company has issued one share of Series A Preferred Stock enabling the holders of Class A Special Shares of Marcam Canada Holding Corporation to exercise voting rights in Marcam Corporation. For financial reporting purposes, the Company is treating the 290,400 Class A Special Shares of Marcam Canada Holding Corporation as having been exchanged for an equivalent number of shares of the Company's common stock pursuant to a Stock Exchange Agreement dated April 9, 1991 and the one share of the Company's preferred stock as having been redeemed pursuant to its terms.